

AMENDED IN ASSEMBLY JUNE 16, 2004

AMENDED IN ASSEMBLY JUNE 10, 2004

AMENDED IN SENATE JUNE 2, 2003

AMENDED IN SENATE APRIL 30, 2003

SENATE BILL

No. 996

Introduced by Senator Alarcon

February 21, 2003

An act to add Title 6 (commencing with Section 35400) to the Corporations Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

SB 996, as amended, Alarcon. Socially responsible business.

Existing law establishes various regulations applicable to business entities, including, among others, corporations and partnerships.

This bill would declare the intent of the Legislature to create 2 categories of business, which would be known as the "California transparent enterprise" and the "California socially responsible business," and to encourage businesses to become socially responsible. The bill would qualify a business as a "California transparent enterprise" if it makes certain information publicly available, including environmental, health, safety, community development, and diversity information, and provides certain information and filing fees to the Secretary of State. The bill would also qualify a business as a "California socially responsible business" if it meets certain requirements, including satisfying specified employment, environmental, community involvement, and financial practices, and provides documents and filing fees to the Secretary of State.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) It serves a public purpose, and is in the best interest of the
4 state, to recognize and encourage business practices that honor,
5 respect, and safeguard the environment, human rights, public
6 health and safety, the welfare of the communities of which the
7 businesses are a part, and the well-being of the businesses'
8 employees.

9 (b) Socially responsible businesses, as defined in this section,
10 serve the State of California by helping to protect the environment,
11 increase the quality of their employees' lives, and enrich the
12 communities in which they do business, thereby minimizing the
13 costs to the state to advance these ends.

14 (c) Ultimately, socially responsible businesses create wealth
15 for the State of California by doing business in a manner that
16 preserves the state's natural and societal resources for use by future
17 generations, recognizing that these resources will contribute to the
18 long-term prosperity of both the business itself and the state. They
19 further avoid imposing additional costs onto society or a sector of
20 society that the state would ultimately have to bear in full or in part.

21 (d) Socially responsible business practices can give companies
22 competitive advantages, strengthening their potential for
23 long-term profitability by building strong reputations and brand
24 images, attracting superior talent, reducing turnover, increasing
25 customer loyalty, reducing costs and avoiding future liabilities.

26 (e) A number of companies screened for socially responsible
27 business practices have been shown to yield stronger financial
28 performance, outperforming industry benchmarks in mutual funds
29 and securities indexes. Research indicates that, given a choice
30 between comparable products or services from a socially
31 responsible company and one that is not, consumers consistently
32 choose those from the socially responsible company.

33 (f) Nationally and internationally, the notion is growing that
34 socially responsible business practices are indispensable in
35 building sustainable enterprises. Within the United States of



America, more than 2 trillion dollars are currently invested in socially responsible investments, major graduate business schools nationwide now offer courses in social responsibility, and thousands of companies are adopting socially responsible business practices to enhance their long-term profitability.

(g) The worldwide growth of socially responsible investing has prompted institutional investors, including public and private pension funds, which are among the largest investors in the world, to be increasingly aware of the social and environmental records of companies in which they invest. Several nations have mandated that pension funds publicly state if they take social and environmental considerations into account. A socially responsible business designation can facilitate the investment processes of those pension funds and other institutional investors that take such factors into consideration.

(h) Hundreds of businesses worldwide have signed onto the United Nations Global Compact, pledging good global citizenship in the areas of human rights, labor standards, and environmental protection. Similarly, hundreds of businesses around the world now make use of the Global Reporting Initiative's guidelines in their social and environmental reporting.

(i) It is the intent of the Legislature to create two new categories of business known as the "California transparent enterprise" and the "California socially responsible business" in order to encourage businesses to become socially responsible.

SEC. 2. Title 6 (commencing with Section 35400) is added to the Corporations Code, to read:

TITLE 6. BUSINESS ETHICS

CHAPTER 1. DEFINITIONS AND GENERAL PROVISIONS

35400. "California transparent enterprise" means any California company that agrees to publicly disclose its policies and practices pertaining to its employee relations, environmental protection, customer and community relations, human rights, diversity and equality, particularly those practices that have a substantive impact on a sector of society or on stakeholder group as defined in this section.

35401. “California socially responsible business” means any California transparent enterprise that operates its business in a manner that respects and honors its employees, the environment, its communities, customers, shareholders and the public health and safety, earns profits in a manner that benefits society while minimizing costs to the public and damage to society, a sector of society, or the environment, and seeks to preserve and renew resources, including natural resources, so that those resources are available for future generations.

35402. “Fair trade” means foreign trade that provides socially acceptable remuneration to producers and workers with conditions that are safe, environmentally sustainable, and fair.

35403. “Self-sufficiency wage” means a wage with which a full time employee can cover the costs of adequate food, housing, and healthcare in the community where the job is located, without needing to supplement the wage with additional jobs or government programs.

CHAPTER 2. CALIFORNIA ~~SOCIALLY RESPONSIBLE BUSINESS~~
TRANSPARENT BUSINESS

35420. In order to qualify as a California transparent enterprise, the disclosures specified in Section ~~35400-35421~~ shall be made in writing and provided to the Secretary of State along with a filing fee that may be required by the Secretary of State. The disclosures shall also be set forth on the disclosing company’s Web site, if it has one, and through other means according to its own initiative.

35421. *The following questions shall be responded to in full as part of the disclosure:*

(a) *Employee relations:*

(1) *What is the company doing to assure a living wage for its employees?*

(2) *What is the company doing to assure fair labor practices on the part of its suppliers and vendors?*

(3) *What is the company doing to provide adequate benefits for its employees?*

(4) *What is the company doing to provide job training and improvement of the skills and productivity of its employees?*

- 1 (5) What is the company doing to promote employee
- 2 ownership?
- 3 (6) What is the company doing to provide employee profit
- 4 sharing?
- 5 (7) What is the company doing to promote employee
- 6 involvement?
- 7 (8) What is the company doing to facilitate free association?
- 8 (9) What is the company doing to assure pay equity (equal pay
- 9 for equal work)?
- 10 (10) What is the company doing to assure equitable levels of
- 11 pay, in order to maintain a reasonable, but not excessive, range
- 12 between the top and lowest salary?
- 13 (b) Environment, health, and safety:
- 14 (1) What is the company doing to reduce energy consumption
- 15 and to promote energy efficiency?
- 16 (2) What is the company doing to reduce employee travel?
- 17 (3) What is the company doing to increase its use of energy from
- 18 renewable sources?
- 19 (4) What is the company doing to promote use of recycled
- 20 materials in its operation?
- 21 (5) What is the company doing to reduce or eliminate toxic
- 22 chemicals in the workplace?
- 23 (6) What is the company doing to reduce solid waste
- 24 generation?
- 25 (7) What is the company doing to measure and reduce its
- 26 greenhouse gas emissions?
- 27 (8) What is the company doing to promote workplace safety?
- 28 (9) What is the company doing to promote employee fitness?
- 29 (10) What is the company doing to reduce toxic chemical
- 30 emissions and transfers?
- 31 (11) What is the company doing to assure that its suppliers and
- 32 vendors support environmentally responsible practices?
- 33 (c) Community development and diversity:
- 34 (1) What is the company doing to promote nondiscrimination
- 35 in the workplace?
- 36 (2) What is the company doing to assure the hiring and
- 37 promotion of women and minorities?
- 38 (3) What is the company doing to prevent sexual harassment in
- 39 the workplace?

- 1 (4) What is the company doing to support women- and
2 minority-owned businesses?
- 3 (5) What is the company doing to promote community
4 economic development through its charitable giving or related
5 programs?
- 6 (6) What is the company doing to promote access to capital in
7 economically disadvantaged communities?
- 8 (7) What is the company doing to promote volunteerism by its
9 employees?
- 10 (8) What is the company doing to promote international fair
11 trade?
- 12 (9) What is the company doing to support culture and the arts?
- 13 (d) Consumers and clients:
- 14 (1) What is the company doing to educate its customers on the
15 responsible use of its products and services?
- 16 (2) What is the company doing to work with its peers to promote
17 socially responsible practices at the industry level?
- 18 (3) What is the company doing to assure the quality of its
19 products and services?
- 20 (4) What is the company doing to address the environmental
21 implications of the use of its products and services?
- 22 (5) What is the company doing to promote innovation in its
23 products and services?
- 24 (e) Has the company been required to pay fines or penalties, or
25 consented to settlements resulting in the required payment by the
26 company of fines or penalties, in a cumulative amount of more than
27 five thousand dollars (\$5,000) in any one of the previous five
28 calendar years in any of the following categories:
- 29 (1) Employment discrimination.
- 30 (2) Sexual harassment in the workplace.
- 31 (3) Environment.
- 32 (4) Workplace safety.
- 33 (5) Unfair labor practices.
- 34 (6) Product safety.
- 35 (7) Anticompetitive marketing practices.
- 36 (8) False advertising.
- 37 (9) Bribery or corruption.
- 38 For each category, the year, cumulative amount of payments,
39 and general nature of the cases involved shall be specified.
- 40

1 *CHAPTER 3. CALIFORNIA SOCIALLY RESPONSIBLE BUSINESS*

2
3 35430. A business shall qualify as a California socially
4 responsible business if it meets the requirements of this chapter,
5 and files any documents and filing fees that may be required by the
6 Secretary of State.

7 ~~35422.—~~

8 35431. Directors, officers, partners, and owners of a
9 California socially responsible business shall agree to conduct
10 business in a manner that considers both the impact on the business
11 and on the employees, the environment, the community or
12 communities where it does business, other stakeholders, and its
13 shareholders.

14 ~~35423.—~~

15 35432. A business shall at a minimum meet the following
16 criteria in order to qualify as a California socially responsible
17 business:

18 (a) Be in compliance with federal and state laws designed to
19 protect employees, the environment, consumers, and public
20 health.

21 (b) Have corrected within 90 days any violations of state,
22 federal, or local laws designed to protect employees, the
23 environment, consumers, and public health that occurred within
24 the past five years.

25 ~~35424.—~~

26 35433. A business may not qualify as a California socially
27 responsible business if it does any of the following:

28 (a) Manufactures weapons, tobacco products, known
29 carcinogens or hazardous materials, as identified by state or
30 federal environmental or public health agencies, or gains more
31 than five percent of its revenue from a business related to those
32 activities.

33 (b) Is directly engaged in the business of gambling or nuclear
34 power or gains more than five percent of its revenue from a
35 business related to those activities.

36 (c) Engages in any business practices that recklessly or
37 willfully endangers human or ecological health or the economic
38 well-being of society or a sector of society.

39 (d) Has paid fines or penalties in excess of five thousand dollars
40 (\$5,000) in the past five years for violations of state or federal laws

1 or regulations designed to advance workforce diversity, prevent
2 discrimination, or protect labor, human health and safety, and the
3 environment.

4 (e) Has its products manufactured by forced labor, sweatshop
5 labor, or other abusive forms of child labor, as defined in paragraph
6 (2) of subdivision (e) of Section 6108 of the Public Contract Code.

7 ~~35425.—~~

8 35434. A business with more than 20 employees shall pay a
9 self-sufficiency wage to at least 75 percent of its full-time
10 employees to qualify as a California socially responsible business.

11 ~~35426.—~~

12 35435. A business with 20 or more employees shall qualify as
13 a California socially responsible business if it satisfies the
14 following:

15 (a) The business satisfies at least two of the following
16 employment practices:

17 (1) It makes available to at least 75 percent of all its employees
18 who work at 30 hours or more per week the option to receive or
19 buy into a comprehensive health care package and pays at least 50
20 percent of its cost.

21 (2) It actively works to achieve diversity and
22 nondiscrimination in its workplace and incorporates policies and
23 practices that are respectful of all people, regardless of gender,
24 ethnicity, or sexual orientation. The policies are incorporated into
25 its employee manual and posted in a visible place. Diversity in the
26 business' staff positions shall be easily verifiable.

27 (3) It makes available to at least 75 percent of all its employees
28 who work 30 hours or more per week the option to receive or buy
29 into a retirement benefits package that includes a 401(k) or a
30 SIMPLE IRA plan and contributes at least 2 percent of each
31 employee's annual wages toward the plan.

32 (b) The business satisfies at least six of the following
33 environmental protection practices:

34 (1) It has adopted globally recognized environmental best
35 practices or their equivalent with a goal of achieving sustainability
36 and zero pollution.

37 (2) It actively works to reduce solid waste by, at minimum,
38 recycling at least 75 percent of its nonusable solid waste by using
39 recycled materials whenever available, and by actively employing
40 other methodologies to reduce solid waste.



(3) It has worked with its local utility and water companies or agencies to monitor energy and water consumption and has taken and continues to take necessary actions to reduce energy consumption to lowest possible levels using improved energy and water efficiency and use of renewable energy sources.

(4) It has registered with the California Climate Action Registry.

(5) It does not promote products that are hazardous materials or known to be teratogenic, mutagenic, carcinogenic, or otherwise harmful in direct and obvious ways to human and ecological health, such as asbestos, benzene, vinyl chloride, antimony trioxide, and chromium.

(6) It has replaced the use of toxic agents such as cleaning agents with nontoxic and biodegradable agents.

(7) It goes beyond compliance with both federal and state guidelines with regards to mitigating the potentially harmful effects of any of its products or services and in disposing of hazardous waste.

(8) It actively encourages and provides incentives to its employees to rideshare, carpool, use public transportation, or telecommute.

(c) The business satisfies at least one of the following community involvement practices:

(1) It allows and encourages its employees to engage in community service on company time.

(2) It contributes at least one percent of its pretax net profit to one or more nonprofit organizations incorporated under paragraph (3) of subdivision (c) of Section 501 of the Internal Revenue Code.

(d) The business satisfies at least one of the following financial practices:

(1) It encourages worker involvement by sharing financial information with employees or providing for employee participation in management decision-making.

(2) It enables employees to share in the company's profits either through an employee profit-sharing program in which a majority of its employees are included or through an Employee Stock Ownership Plan that includes a majority of its employees.

~~35427.—~~

~~35436.~~ In addition to satisfying the requirements of Section ~~35426–~~ 35435, a business with 200 or more employees shall

1 qualify as a California socially responsible business only if it
2 satisfies the following:

3 (a) The business satisfies at least four of the following
4 employment practices:

5 (1) It has a job retention program.

6 (2) It makes available to its employees who work 30 hours or
7 more per week the option to receive or buy into a retirement
8 benefits package that includes a 401(k) or a SIMPLE IRA plan and
9 contributes at least 2 percent of each employee's annual wages
10 toward the plan.

11 (3) It provides opportunities for its employees to develop their
12 skills and advance their careers through programs such as
13 on-the-job training, mentoring, and stipends for offsite training
14 and education.

15 (4) It allows employees to freely associate with their union of
16 choice.

17 (5) It provides total annual compensation to its highest paid
18 employee no more than 50 times that of its lowest paid employee.

19 (b) The business satisfies at least one of the following business
20 relationship practices:

21 (1) It promotes social responsibility among its strategic
22 business partners and vendors, monitoring their business practices
23 to verify their claims.

24 (2) It practices fair trade, if engaged in foreign trade.

25 (c) The business satisfies at least one of the following financial
26 practices:

27 (1) It encourages worker involvement by sharing financial
28 information with employees or providing for employee
29 participation in management decision-making.

30 (2) It enables employees to share in the company's profits
31 either through an employee profit-sharing program in which a
32 majority of its employees are included or through an Employee
33 Stock Ownership Plan that includes a majority of its employees.

